

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-593-C - ORDER NO. 95-381
FEBRUARY 16, 1995

IN RE: Request of Southern Bell for Approval of) APPROVAL OF
Revisions to its Access Service Tariff to) REVISIONS TO
Mirror Interstate Rates and Implement Zone) ACCESS
Pricing with Minimum and Maximum Rate) SERVICE
Structure.) TARIFFS

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Southern Bell Telephone and Telegraph Company (Southern Bell or the Company) for approval of revisions to its Access Service Tariff (Tariff Nos. 94-219 and 94-224). In its request, Southern Bell requests approval to make changes to its switched Transport rates to mirror those approved in the Interstate jurisdiction on July 1, 1994. Also in the filing, Southern Bell introduced a Zone Pricing Plan for Switched Access and Special Access Service.

By letter, the Commission's Executive Director instructed the Company to publish a prepared notice of filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company submitted an affidavit indicating that it had complied with these instructions.

Subsequently, the Consumer Advocate for the State of South

Carolina (Consumer Advocate) petitioned to Intervene Out of Time in this matter. We granted intervention to the Consumer Advocate pursuant to Order No. 94-950, issued on September 15, 1994.

The Consumer Advocate subsequently moved this Commission for a paper hearing. This Motion was denied in Order No. 94-1001, dated September 23, 1994.

An evidentiary hearing was then held on February 8, 1995 at 10:30 a.m. at the offices of the Commission. The Honorable Rudolph Mitchell, Chairman, presided. Southern Bell was represented by Harry M. Lightsey, III, Esquire, and Mary Joe Pead, Esquire. Southern Bell presented the testimony of Jerry D. Hendrix. The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. The Commission Staff was represented by F. David Butler, General Counsel. Neither the Consumer Advocate nor the Commission Staff presented witnesses in this proceeding.

Southern Bell presented the testimony of Jerry D. Hendrix, Manager-Pricing and Economics in the Regulatory and External Affairs Department of the Company. Hendrix testified that the proposal allowing zone pricing allows pricing flexibility of transport services based on the traffic densities of central offices. According to Hendrix, this pricing flexibility will enable Southern Bell to competitively price Switched Access Transport and Special Access Services. Hendrix states that in the Federal Communications Commission's (FCC's) Expanded Interconnection Order, the FCC reduced the regulatory and economic barriers to competitive entry into the transport market. According to Hendrix, in that same Order, the FCC granted Local Exchange

Companies (LECs) additional pricing flexibility. The FCC believed that the combination of expanded interconnection and increased pricing flexibility for LECs would establish an equitable framework for promoting competition. Hendrix then described the proposed zone pricing plan. The plan would establish three density zones which will provide opportunity to reflect the density-based cost differences. Southern Bell determined, according to Hendrix, the traffic density characteristics of its central offices and assigned each central office to a zone based on the number of DS1 equivalent circuits within the office. The zones are characterized as follows:

Zone 1 - Most Dense Zone

Zone 2 - Medium Density Zone

Zone 3 - Least Dense Zone

Hendrix went on to state that all central offices were ranked on the basis of DS1 equivalent circuits for switched access, high capacity special access and high capacity private line quantities. According to Hendrix, these quantities are representative of the overall cost patterns. Hendrix states that the zone pricing tariff filing by Southern Bell adheres to the guidelines established by the FCC's Report and Order adopted September 17, 1992 in CC Docket No. 91-141.

Hendrix states that with the exception of the portions of its interstate density zone pricing plan that relate to the federal price caps indices, Southern Bell's own pricing tariff is identical to the plan filed in the Interstate jurisdiction. Southern Bell's Interstate Zone Pricing Plan was approved by the FCC in its Order

No. DA 93-726, released June 18, 1993. Hendrix notes that without zone pricing, Southern Bell will not be able to effectively compete with Competitive Access Providers (CAPs) for high volume access customers. Hendrix states that prohibiting Southern Bell from competing effectively could result in the loss of high volume access customers and revenue for access services, which provides substantial contribution to basic telephone service. According to Hendrix, the Zone Pricing Plan would establish a minimum and maximum rate for each category. Southern Bell presently proposes leaving the actual prices as they are. However, Southern Bell states that it would provide thirty (30) day noticing of increases or decreases of rates in this matter within the minimums and maximums, and that such increases and decreases would be subject to Commission approval.

Although the Consumer Advocate did not present testimony, attorney Elliott F. Elam voiced his objection to minimum and maximum rates, although not to zone pricing. Elam argued that price decreases take money away from local service. Elam argued that set prices were needed for each zone, not minimums and maximums.

The Commission has examined this matter and believes that Southern Bell has provided a sufficient basis on which we may approve the proposal. We agree with the Company that the implementation of zone pricing would allow it to compete with CAPs and that nonapproval of the tariff would place the Company in a difficult position in that regard. Further, we agree that minimum and maximum rate structures as proposed by the Company are

reasonable, subject to thirty (30) day noticing of increases/decreases of the rates within the established minimum and maximum rates and subsequent Commission approval. We therefore believe that approval of the revisions proposed by the Company is in the public interest.

IT IS THEREFORE ORDERED THAT:

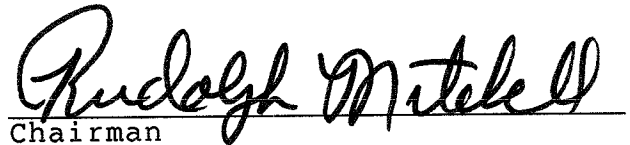
1. The request for approval of revisions to Southern Bell's access service tariff to mirror interstate rates and implement Zone Pricing with a minimum and maximum rate structure is hereby approved as filed.

2. The minimum and maximum rates shall be subject to thirty (30) day noticing of increases/decreases of rates within the minimum and maximum rates and subsequent Commission approval.

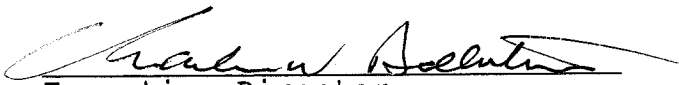
3. The Company shall file revised tariffs with this Commission within ten (10) days of its receipt of this Order.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)